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AUTHOR Hayward, Gerald C.
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ABSTRACT

An analysis of Project Independence--a proposal that would limit the role of the Governor and legislature of California in determining the level of funding of local governments (including community college districts) through specification in the Constitution of the share of various state taxes to such entities--is presented in this report to the Board of Governors of California Community Colleges. First, an overview of Project Independence is presented including a statement of the project's purpose, means of funding, different treatment of funding recipients, and state mandated costs. Next, the project's impact on community colleges is discussed in terms of the implications for governance, funding provisions, and the effect on community college finances. This section analyzes the effects of the proposed project in terms of the stability, sufficiency, predictability, and independence of funding. Appendices to the report provide a statement of the goals and purposes of Project Independence, a position statement, and an outline of the changes that would be made in the California Constitution were the project to be enacted. (HB)

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ED238493

Item 7

Title: Community College Funding Alternatives and Strategies

Staff Presentation: Gerald C. Hayward
Chancellor

Summary

The Board of Governors requested at its October meeting that staff review the text of the Project Independence initiative and present an analysis at the Board's December meeting. The request for staff analysis of the initiative was in response to a presentation before the Board by James Kellerman, Executive Director of the California Association of Community Colleges.

The following item contains an overview of the initiative, analysis of the anticipated impact on community colleges, and staff comment on funding aspects including stability, sufficiency, predictability and independence of funding.

JC 840 022

OVERVIEW OF PROJECT INDEPENDENCE

Project Independence is a proposal to secure stable funding for community colleges through a constitutional amendment. Its proponents seek to implement the proposal through the initiative process if a legislative solution to underfunding of the colleges is not reached. The initiative would identify certain percentages of existing revenue for community colleges and would protect that funding through the Constitution.

Purpose

The preamble to "The Local Government Governance and Finance" Constitutional Amendment, more commonly known as Project Independence, states:

> It is the intention of the People of California, in adopting this initiative, that citizen involvement in governance be as great as possible. Toward that end, it is recognized that responsibility for general governance, the delivery of programs and services, and the resolution of problems should be with that level of government that is closest to the people and can still discharge those responsibilities effectively and efficiently. Only those functions which cannot efficiently or effectively be carried out by local jurisdictions shall be the obligation of State government. To ensure the viability and stability of local government, it is necessary that clear governance powers and a strong financial base be provided.

Means of Funding

The initiative (See Appendix A for complete text) proposes to accomplish its goal by limiting the role of the Governor and Legislature in determining the level of funding of local government through specification in the Constitution of the share of various Statewide taxes to such entities. Each local government's (including community college districts) share of the net countywide ad valorem property tax revenues is also fixed as of a base period.

The Legislature would also be prohibited from limiting local government from imposition of any tax, fee, or charge available to any such entity as a source of revenue on or before January 1, 1983.

Provisions of Proposition 13 limitation on local property tax would be amended to allow imposition of additional ad valorem property tax for payment of interest and redemption costs of general obligation bonds approved by a two-thirds vote of those electors voting. Present constitutional provisions preclude ad valorem property tax revenue from being used to service such newly approved debt.

Different Treatment of Funding Recipients

The initiative reflects the independent development of its parts. For instance, the section on community colleges deals with procedures for appropriating and transferring State revenue into a separate Community College Fund. Allocation of this revenue to community college districts is left to the Leg-

islature to determine. However, for K-12 districts, not only is the "input" formula addressed, but features of the "output" formula are also placed in the Constitution, such as the provision that "No district or county office of education shall receive a per-ADA allocation which is less than its prior year's per-ADA allocation multiplied by 1.02,..."

The annual appropriations limit (Article XIII B added by Proposition 4 in 1979) for school districts and county offices of education (but not community college districts) would be adjusted for changes in State and local tax revenues in addition to COLA and population. This does not appear to be of immediate concern to community colleges inasmuch as most districts are funded far below their current limit.

State Mandated Costs

Article XIII B also provided for State mandated costs to be reimbursed by the State. This proposal would amend Article XIII B, Section 6, to:

(1) Add State subvention for court or statewide initiative or referendum mandated costs.

(2) Automatically suspend the duty of a local government (including community college districts) to carry out a legislatively or regulatorily mandated new program or higher level of services or transfer of program, if the Legislature fails to provide a subvention of cost. Compliance with the mandate would be voluntary until sufficient funds are appropriated and received by the local government. Court orders and initiative or referendum measures, which also require State assumption of costs, are excluded from this provision.

IMPACT ON COMMUNITY COLLEGES

The features of Project Independence as it would impact community colleges specifically are discussed below.

Governance Implications

Project Independence language regarding governance (Article IX, new Section 17, Subsection a) has no significant effect on community colleges governance except that passage of the amendment would make it impossible for the Legislature to abolish districts by statute.

The only other express reference to community colleges in the State Constitution is contained in Article IX, Section 14 which authorizes (but does not require) the Legislature to provide for the incorporation and organization of school and community college districts.

New Section 17 (a) would require the Legislature to provide for public community colleges to be governed by locally elected boards of trustees in accordance with general law established by the Legislature.

The language of Section 17 (a), by itself, would not obviate any governance role of the Board of Governors. Rather, the respective roles of district governing boards and the Board of Governors would be fixed by statute.

Current statutory provisions which broadly define community college governance include Education Code Sections 66700, 72200, 72230, 72231 and 72282 (See Appendix B).

Funding

Effective July 1, 1985:

a. New Section 17 (b) of Article IX would provide for replacement of School Fund B with the Community College Fund in the State treasury to fund public community colleges operations including general State apportionment, capital outlay, deferred maintenance, special programs (EOPS and Handicapped) and "other expenditures" (Instructional Improvement ?) from revenue generated by:

1. 0.5% of the gross retailers' receipts subject to sales and use tax, and

2. 3.0% of the net annual proceeds of the State personal income tax.

Provision is made for the Legislature in 1990 to review and possibly revise, by two-thirds vote of each house,the percentage of each tax for community college purposes. This provides a mechanism to allow for change without a vote of the electorate in the event revenues are too high or too low.

State revenue would be allocated to the community colleges based on a formula established by the Legislature (presumably SB 851 or similar procedure).

b. New Section 26 of Article XIII provides for community college districts, as well as for other existing governmental entities, to share in the net countywide ad valorem property tax revenues collected during the year based on each governmental agency's percentage of such revenue in the 1983-85 (sic) base year.

The implication of these provisions for separate streams of revenue to community colleges (one from the State, the other local) appears to be that changes in local revenue would not be offset by corresponding changes in State revenue as is the case under current law. This, if true, would seem to be the principal advantage of this proposal for community colleges. But existing problems in equalization could be exacerbated and new ones created. It is, however, not entirely clear that the statutory formula for allocating State revenue to districts could not require such corresponding adjustments. It is certain that State revenue transferred into the Community College Fund could be used only for support of the colleges. Unexpended balances would remain in that Fund.

Preliminary discussion with Department of Finance staff indicates that this measure appears to be straightforward, but its implementation could pose tech-

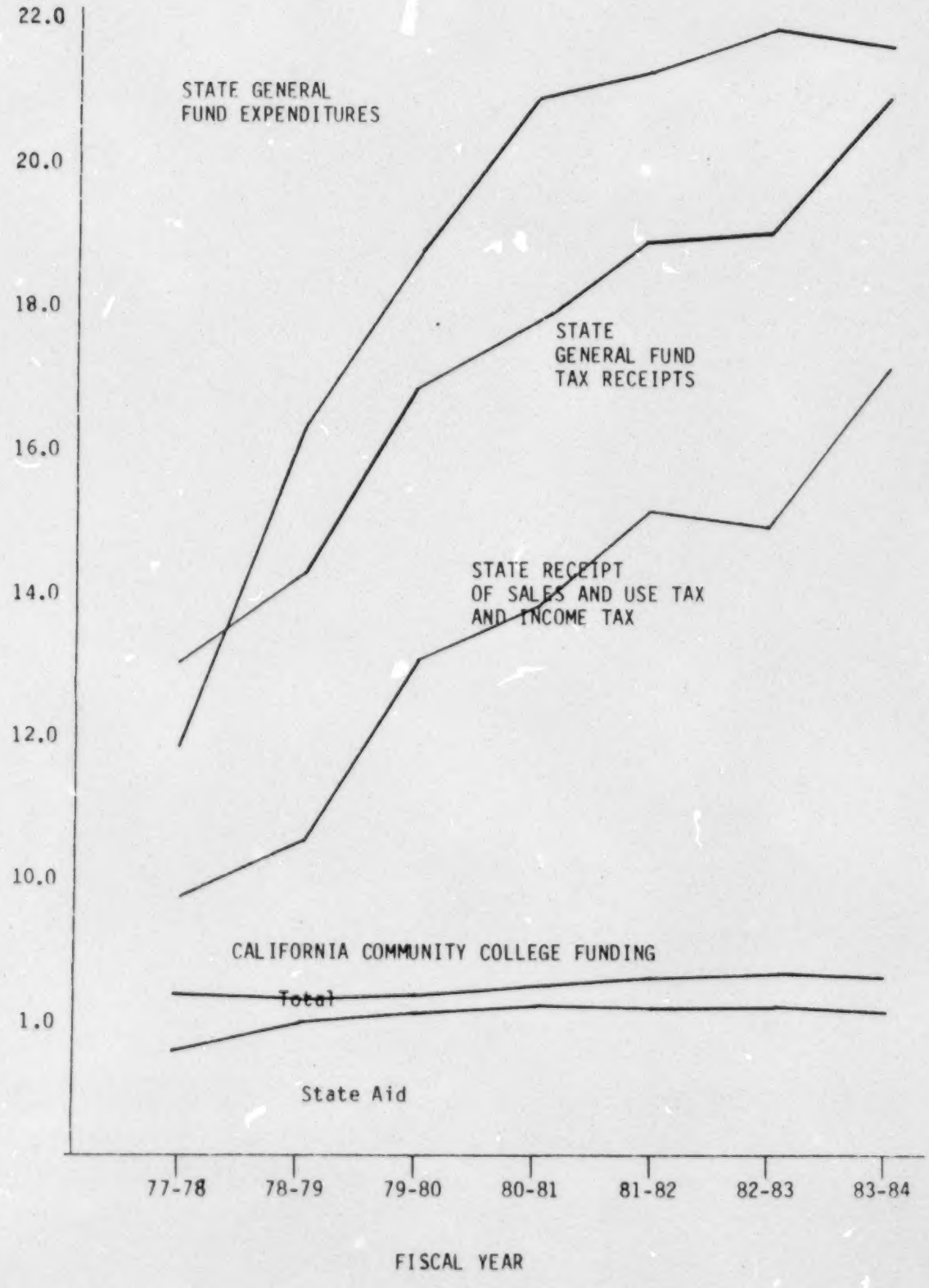
nical and definitional problems. Finance staff will be preparing a detailed analysis in the near future.

Effects on Funding

We have identified four conditions for analyzing the effects of this proposal:

a. Stability of Funding

Although the sales and use tax and income tax are two primary contributors of revenue to the State general fund, experience has shown that there is greater variability in the year-to-year level of revenue from these individual tax sources than in general fund appropriations. The State has used a number of other sources of funds, other than annual general fund revenues, to avoid wide fluctuations in expenditures (i.e., infusions of reserves and loans or transfers from other funds) (See chart on page 6). The high level of reserves available in the 1978-81 period allowed the State to expend more than actual annual revenue. Such a situation does not exist today. Conversely, a guaranteed source of revenue would preclude the kind of substantial shortfall which occurred in the current year.


22.0
20.0
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1.0
STATE GENERAL
FUND EXPENDITURES
STATE
GENERAL FUND
TAX RECEIPTS
STATE RECEIPT
OF SALES AND USE TAX
AND INCOME TAX
CALIFORNIA COMMUNITY COLLEGE FUNDING
Total
State Aid
77-78
78-79
79-80
80-81
81-82
82-83
83-84
FISCAL YEAR

b. Sufficiency of Funding

The table on page 8 shows that from 1978-79 to 1981-82 community colleges would have received less funding under the proposal than that which was provided for general apportionments. For 1981-82 and 1982-83 the data indicate that funding under the proposal would have been sufficient to fund the general apportionment, but would not provide enough money to pay for capital outlay, deferred maintenance, special programs, and other expenditures as specified in the initiative.

For 1985-86 the proposal proponents' estimate of revenue (See table footnote a/) appears reasonably accurate for the personal income and sales and use tax categories, but is overly optimistic for the locally collected property tax and homeowners and business inventory subventions categories. It appears that the latter figures were derived by applying a 12.5 to 13 percent annual rate of growth. Application of a more conservative 10% per annum (considered by some to be still too high) rate for locally collected property tax revenue and a 5% per annum rate for homeowners and business inventory subvention would reduce the proponent's estimate by about $30 million (See table footnote b/). Use of a 7.5% annual rate of growth for local property tax (in line with recent Department of Finance estimate) would reduce the proponents' estimate an additional $20 million. (See table footnote c/).

Comparison of the adjusted proposal estimated 1985-86 revenue with revenue generated by SB 851 under three varying assumptions relative to 1983-84 funding (See table footnotes d/, e/, and f/) indicates that the proposal could provide from $22 million to $294 million more than current law. It must be kept in mind in analyzing the table below that SB 851 generates funding only for the general apportionment and not for capital outlay, special programs, etc. Funding for these activities would come from the excess estimated revenues generated by the proposal above the costs of SB 851. The upper end of the range of difference between the two would appear to be more than sufficient for these purposes. Attention could then be focused on ameliorating the effects of recent community college underfunding of COLA's and growth in ADA with any residual revenue. Revenue differences at the lower end of the range would not be sufficient for community college purposes.

Relative to capital outlay, current COFPHE Fund revenue would probably not continue to be provided to community colleges.

The perennial problem of the dysfunctional relationship of demand for community college services to resources available is not addressed by this proposal.

The proposal appears to provide adequate funds for maintenance of the current level of service. There would not be sufficient resources to accommodate substantial increase in demand or for new programs or services.

Comparison of Proposal Estimates With Actual and
Projected Community College Funding
(State and Local)

Fiscal Year	Proposal*	Actual General Apportionment**
1977-78	$ 1,424,261,400	$ 1,212,019,878
1978-79	1,115,156,000	1,124,412,594
1979-80	1,160,187,100	1,222,973,979
1980-81	1,257,618,900	1,351,408,612
1981-82	1,442,150,400	1,435,438,082
1982-83	1,423,283,200	1,404,757,917
		SB 851:
1985-86	1,872,000,000 a/	1,545,840,000 d/
	1,842,000,000 b/	1,660,600,000 e/
	1,822,000,000 c/	1,800,000,000 f/

* Includes funding for capital outlay, deferred maintenance, special programs and other expenditures.

** Excludes funding for capital outlay, deferred maintenance, special programs and other expenditures.

a/ Proponent's estimate

b/ Proponent's estimate adjusted to 10% and 5% rates per annum for local property tax and HOE/BIE, respectively.

c/ Proponent's estimate adjusted to 7.5% and 5% rates per annum for local property tax and HOE/BIE, respectively.

d/ SB 851 without any restoration for 1983-84

e/ SB 851 with restoration of 1983-84 base only

f/ SB 851 fully funded for 1983-84 and beyond

c. Predictability of Funding

It would appear that the proposal, if implemented on a current year basis, would introduce greater uncertainty into community college funding than has existed to date, including even this year's debacle. Under past and current funding mechanisms, community college districts have generally had a good idea of their level of funding by or during July of each year. Even this year, 93 + % of funding was known by July.

Under the proposal the level of total funding would not be known until well after the end of the fiscal year because of the slowness of calculating tax receipts. There is no minimum guaranteed level and the total revenue would not be known and distributed by the close of each fiscal year.

Funding for community colleges could, however, have enhanced predictability if implementing legislation establishes "forward funding," that is, current year community college funding based on prior year's collection of State tax revenue. Local property tax revenue would most likely continue to be distributed on a current year basis. This would be a definite advantage over the current mechanism.

d. Independence of Funding

It is not clear from the language of the proposal just how much independence from executive or legislative intervention is provided.

As stated above, the proposal appears to make State funding totally independent of local property tax revenue. But this assumption presumes that the statutory formula for allocation of state aid cannot provide for adjustments and limits based on the level of property tax, COLA, eligible course offerings, growth caps, etc.

Also, there is no stated requirement that all revenue transferred to the Community College Fund be allocated to the districts in any one given year.

It appears that because the allocation mechanism must be determined statutorily there would still be a heavy reliance on the political process. All of the three conditions we examined--stability, sufficiency, and predictability--will be as much determined by the statutory enabling legislation as they are by the initiative.

In sum, absent the statutory provisions required to implement the initiative, it is difficult to assess its impact in any but a cursory way.

APPENDIX A

PROJECT INDEPENDENCE

A PROPOSAL TO STRENGTHEN LOCAL GOVERNMENT IN CALIFORNIA

Goal: The overall goal of Project Independence is to achieve governance and finance reform for cities, counties, school districts, and community colleges so that these elements of local government can more effectively and efficiently carry out their responsibilities.

Background: In recent years, there has been a concentration of control at the State level and an erosion of authority at the local level. This trend has resulted in much more than a fiscal crunch, but, rather, has become a full-blown crisis in governance.

-- The lack of a stable and predictable source of funding has made it impossible to plan adequately for local needs and priorities.

-- The State has forced local governments to perform State-dictated activities at the expense of local taxpayers, without State reimbursement.

-- Excessive State budgetary control has resulted in the loss of local control and accountability, both in taxation and expenditures.

Project Independence: A desire to reduce these problems has brought together the County Supervisors Association of California, League of California Cities, California School Boards Association, and statewide organizations representing community colleges in a joint effort to design a plan which would provide local government with a stable revenue base and more local control. Many other interested organizations have also provided input.

The components of Project Independence include:

1. Guaranteed Shared Revenues: Existing shared revenues provided by statute to local government would be guaranteed and not subject to State reduction or erosion. These revenues include motor vehicle license fees, trailer coach fees, cigarette tax revenues, and business inventory exemption reimbursement.

2. Stable Funding for Existing Responsibilities: A specific share of existing sales tax and personal income tax revenues now collected by the State would be dedicated to counties, schools and community colleges to carry out major responsibilities and would not be subject to State legislative control. The amount of ex-

isting taxes to be dedicated to local government would be based upon the amount of revenue historically appropriated in the State Budget for services provided at the local level.

3. Protection from State Mandates: The Legislature would be required to fund State and court mandates; State mandates not funded would be suspended.

4. Local Control and Home Rule: To provide greater local control and increased authority for organizational purposes, the municipal affairs and county affairs doctrine would be made available to all General Law cities and counties.

Proposal: It is hoped that the Legislature will enact the provisions of Project Independence in statutes and Constitutional Amendment(s) as appropriate. If such a resolution is not forthcoming, the initiative process remains a realistic alternative.

POSITION STATEMENT
PROJECT INDEPENDENCE*
October 27, 1983

- Project Independence has developed over the last 18 months in response to intolerable finance and governance problems for local jurisdictions and schools.

- The participants are committed to obtaining governance and finance reform for cities, counties, schools and community colleges.

- We are dedicated to the premise that we must "bring the power home."

- We are hopeful that the Legislature and Administration will be able to solve the problems and adjust the Project Independence proposals. We have and will continue to actively seek a legislative resolution.

- We will not disband our efforts, however, until this objective has been accomplished.

- In the event a legislative resolution is not forthcoming, we are prepared to take the issue directly to the people.

- Therefore, we are taking the initial step to seek Title and Summary on an initiative to formalize our proposal so that it will be debated in public hearings over the next few months.

- We will determine the next step after evaluating the progress being made on a legislative solution.

*Includes representatives of cities, counties, community colleges and K-12 districts.

PROJECT INDEPENDENCE: THE COMMUNITY GOVERNANCE INITIATIVE
Sponsored by Californians for Community Governance

THE FIRST GOVERNMENTAL REORGANIZATION AMENDMENT

SECTION 1. Section 6 is added to Article III of the California Constitution, to read:

Section 6. The People of California intend, by the enactment of this amendment to the Constitution, to reorganize the relationship between State government and the various local governments of California by redirecting the governmental powers and public financial resources of the People. The People of California further intend, by enactment of this amendment to the Constitution, that citizen involvement in governance be as great as possible. To this end, it is recognized that responsibility for general governance, the delivery of programs and services, and the resolution of problems should be with that level of government that is closest to the People and can still discharge those responsibilities effectively and efficiently. Only those functions which cannot efficiently or effectively be carried out by local jurisdictions shall be the obligation of State government. To ensure the viability and stability of local government, it is necessary that clear governance powers and a strong financial base be provided. To this end, the People find and declare that:

(a) Local governments, including the public schools, community colleges, cities, counties and special districts, provide the public services and programs most needed by the People and are the units of government most accessible by and responsive to the People.

(b) The addition by the People of Article XIIIA to this Constitution has resulted in a transfer from local governments to State government of control over public financial resources. This transfer has resulted in (i)

substantial and continuing uncertainty within local governments about their ability to provide the governmental services and programs required by law or desired by the People and (ii) a shift of governmental power from local governments to State Government. The People did not intend any of these results to occur.

(c) The addition by the People of Article XIIIB to this Constitution was intended, in part, to stop the drain of the public financial resources of local government that occurs when the State imposes mandates upon local governments, but does not provide funds to pay for these mandates. The State has not provided funding for more than ninety-five percent (95%) of the new mandates enacted since 1975. The People did not intend this result to occur.

(d) It is necessary to amend the California Constitution to clarify the intent of the People in adopting Article XIIIA and Article XIIIB, while providing stable sources of income for local governments and flexibility to local governments and their citizens to exercise maximum control over local matters.

(e) The goal of this section will best be accomplished by adding to or amending in this Constitution the following: (i) this section; (ii) Article IX, Sections 6 and 17; (iii) Article XI, Sections 4 and 5; (iv) Article XIII, Sections 24 and 34; (v) Article XIIIA, Section 4.5; (vi) Article XIIIB, Sections 1 and 6; (vii) Article XIIIC; and (viii) Article XIIID. All of these additions and amendments shall collectively be known and may be cited as The First Governmental Reorganization Amendment.

(f) If any provision of this Amendment, or the application of any such provision to any person or circumstance is held invalid, the People intend that the remainder of this Amendment shall not be affected thereby, to the extent the remainder can be given effect or applied to persons or circumstances

other than those as to which it is held invalid.

(g) Each provision of this Amendment takes effect on the date specified in the provision. Any provision of this Amendment for which an effective date is not so specified takes effect immediately upon passage of this Amendment.

SECTION 2. Section 6 of Article IX of the California Constitution is amended to read:

Section 6. (a) Each person, other than a substitute employee employed by a school district as a teacher or in any other position requiring certification qualifications, shall be paid a salary which shall be at the rate of an annual salary of not less than twenty-four hundred dollars ($2,400) for a person serving full time, as defined by law.

(b) The Public School System shall include all kindergarten schools, elementary schools, secondary schools, technical schools, and State colleges, established in accordance with law and in addition, the school districts and the other agencies authorized to maintain them. No school or college or any part of the Public School System shall be, directly or indirectly, transfered from the Public School System or placed under the jurisdiction of any authority other than one included within the Public School System.

~~The Legislature shall add to the State School Fund such other means from the revenues of the State as shall provide in said fund for apportionment in each fiscal year an amount not less than one hundred eighty dollars ($180) per pupil in average daily attendance in the kindergarten schools, elementary schools, secondary schools, and technical schools in the Public School System during the next preceding fiscal year.~~

~~The entire State School Fund shall be apportioned in each fiscal year in such manner as the Legislature may provide, through the school districts and other agencies maintaining such elementary schools, secondary schools, and technical schools except that there shall be apportioned to each school~~

~~district in each fiscal year not less than one hundred twenty dollars ($120) per pupil in average daily attendance in the district during the next preceding fiscal year and except that the amount apportioned to each school district in each fiscal year shall not be less than twenty-four hundred dollars ($2,400).~~

(c) There is in the State treasury the State School Fund. Effective July 1, 1985, there is hereby continuously appropriated, on a quarterly basis, to the State School Fund (i) an amount equal to not less than the proceeds of that portion of the State tax upon the sale, use, storage or consumption of tangible personal property equivalent to a rate of two and one-half percent (2 1/2%) of the gross receipts of retailers, and two and one-half percent (2 1/2%) of the sales price of the property, and (ii) an amount equal to not less than fifty percent (50%) of the estimated net annual proceeds of the state personal income tax for the current fiscal year. During the session of the Legislature which occurs in 1990, and once every fifth year thereafter, the Legislature may review and revise these percentages in order to insure that adequate funding is provided for the public schools and that the percentage increase in funding for the public schools continues proportionately. Any revision of these percentages in 1990, or such revisions as may occur once every fifth year thereafter, shall be accomplished by statute enacted by two-thirds (2/3) vote of each house of the Legislature.

(d) For computation purposes only, there is a State School Instructional Fund, consisting of an amount equal to the sum of the following:

(1) the State School Fund established by subsection (c) of this section;

(2) the statewide total proceeds of elementary, unified and high school district and county office of education ad valorem property taxes determined pursuant to Article XIII, Section 26 of this Constitution;

and,

(3) "district income" calculated pursuant to subsection (g) of this section.

(e) The total amount in the State School Instructional Fund shall be annually computed for the elementary, unified and high school districts and county offices of education, or any successor local educational entities, in the following order and manner:

(1) First, for each school district and county office of education, an amount equal to its actual costs for providing mandated appropriate education for handicapped pupils, including transportation costs;

(2) Second, for each school district and county office of education, an amount equal to its actual costs of providing mandated educational programs for limited-and non-English speaking pupils;

(3) Third, for each school district, an amount equal to its actual receipts under the program known as "urban impact aid" in the 1984-85 fiscal year;

(4) Fourth, for each school district and county office of education, an amount equal to its actual home-to-school transportation costs for the previous fiscal year, including bus replacement costs as established by the Legislature but excluding special education transportation costs;

(5) Fifth, for each county office of education, an amount equal to the same percentage of the State School Instructional Fund as that county of- fice's percentage of the 1984-85 State School Fund, less its revenues for: (i) instructional services, calculated pursuant to paragraph (6) below; (ii) handicapped pupils, calculated pursuant to paragraph (1) above; (iii) limited-and non-English speaking pupils, calcu-

lated pursuant to paragraph (2) above; and (iv) home-to-school transportation costs, calculated pursuant to paragraph (4) above.

(6) Sixth, the remainder of the State School Instructional Fund shall be calculated on a per-unit-of-average-daily-attendance (per-ADA) basis, provided that the per-ADA calculation for pupils enrolled in grades 7-12 and in programs operated by county offices of education shall be three hundred dollars ($300) greater than the per-ADA calculation for pupils enrolled in grades K-6. Adults enrolled in programs mandated by the Legislature shall be considered on a full-time equivalent basis to be enrolled in grades 7-12 for purposes of this calculation.

The calculations required by subsections (c) and (e) shall be made by the State Controller by March 1 of each year for the following fiscal year and publicly reported to school districts and county offices of education no later than March 5.

(f) Each elementary, unified and high school district shall annually receive from the State School Fund an amount equal to its total per-ADA calculation as calculated in subsection (e)(6) above, and each county office of education shall receive its proportionate share of the State School Fund as determined in subsection (e)(5) above. Each elementary, unified and high school district and each county office of education shall also annually receive from the State School Fund an amount equal to the sum of (1) its actual mandated handicapped pupil costs as calculated pursuant to subsection (e)(1) above, (2) its actual mandated limited-and non-English speaking pupil program costs as calculated pursuant to subection (e)(2) above, (3) its 1984-85 fiscal year urban impact aid receipts as calculated pursuant to subsection (e)(3) above, and (4) its actual prior year home-to-school transportation costs as calculated pursuant to subsection (e)(4) above, minus its "district income" as calculated

pursuant to subsection (g) below and minus its proceeds from ad valorem property taxes received pursuant to Article XIII, Section 26. Provision may be made by the Legislature for prior year corrections. The timing of such apportionments to school districts and county offices of education shall be prescribed by the Legislature.

(g) "District income" includes all income received by a district or county office of education from whatever source, including, but not limited to, (i) federal impact aid and (ii) federal forest reserve monies, but only to the extent that such "district income" is not used for child development programs or capital outlay or deferred maintenance purposes, and only to the extent that such "district income" spent in any year exceeds by ten percent (10%) the per-ADA calculation for pupils enrolled in grades 7-12 provided for in paragraph (6) of subsection (e) of this section. "District income" does not include income to a district or county office of education from reimbursements made pursuant to Article XIIIB, extracurricular activity fees, pupil cafeteria fees, gifts, donations or federal categorical monies other than those identified above.

(h) No district or county office of education shall receive in any fiscal year a per-ADA allocation which is less than its prior year's per-ADA allocation multiplied by 1.02, and no district or county office of education shall receive a total allocation less than $60,000 in any fiscal year if it qualifies as a "necessary small school district" as defined by the Legislature.

(i) Each full-time-equivalent adult enrolled in a program mandated by the Legislature shall be calculated as six-tenths of a "pupil in average daily attendance."

(j) Funds received by a local elementary, unified or high school district or county office of education pursuant to this section shall be spent for educational purposes not in conflict with this Constitution. Final decisions con-

cerning actual expenditure levels within a district or county office of education for educational programs which may be or may have been prescribed by the Legislature shall be made exclusively by the local board of education, provided, however, that no such program offered in 1984-85 by a district or county office of education shall be eliminated during the 1985-86 school year, except by unanimous vote of the governing board. For purposes of this subsection (j), the "local board of education" for a county office of education is the county board of education or the elected county superintendent of schools, depending upon which entity has authority to determine actual expenditures in the particular program.

(k) Solely with respect to any retirement system provided for in the charter or city and county pursuant to the provisions of which the contributions of, and benefits to, certificated employees of a school district who are members of such system are based upon the proportion of the salaries of such certificated employees contributed by said county or city and county, all amounts apportioned to said county or city and county, or to school districts therein, pursuant to the provisions of this section shall be considered as though derived from county or city and county government and not money provided by the State within the meaning of this section.

SECTION 3. Section 17 is added to Article IX of the California Constitution, to read:

Section 17. (a) The Legislature shall provide for public community colleges governed by locally elected Boards of Trustees in accordance with general law established by the Legislature.

(b) There is in the State Treasury the Community College Fund ("Fund"), established to provide permanent funding for the annual operation of the public

community colleges, including general apportionment, capital outlay, deferred maintenance, special programs and other expenditures. There is hereby continuously appropriated, on a quarterly basis, to the Fund an amount equal to not less than the sum of (i) the proceeds of that portion of the State tax upon the sale, use, storage or consumption of tangible personal property equivalent to a rate of one-half of one percent (1/2%) of the gross receipts of retailers and one-half of one percent (1/2%) of the sales price of the property, and (ii) three percent (3%) of the estimated net annual proceeds of the state personal income tax for the current year. During the session of the Legislature which occurs in 1990, and once every fifth year thereafter, the Legislature may review and revise these percentages in order to insure that adquate funding is provided for the public community colleges and that the percentage increase in funding for the public community colleges continues proportionately. Any revision of these percentages in 1990, or such revisions as may occur once every fifth year thereafter, shall be accomplished by statute enacted by two-thirds (2/3) vote of each house of the Legislature.

(c) The Controller shall continuously transfer, on a quarterly basis, the tax receipts to the Fund and shall, on a quarterly basis, transfer the monies in the Fund to public community college districts in accordance with a formula established by law.

SECTION 4. Section 4 of Article XI of the California Constitution is amended to read:

Section 4. County charters shall provide for:

(a) A governing board of 5 or more members elected (1) by district or, (2) at large, or (3) at large, with a requirement that they reside in a district. Charter counties are subject to statutes that relate to apportioning population of governing body districts.

(b) The compensation, terms, and removal of members of the governing body. If a county charter provides for the Legislature to prescribe the salary of the governing body, such compensation shall be prescribed by the governing body by ordinance.

(c) An elected sheriff, other officers, their election or appointment, compensation, terms and removal.

(d) The performance of functions required by statute.

(e) The powers and duties of governing bodies and all other county officers, and for consolidation and segregation of county officers, and for the manner of filling all vacancies occurring therein.

(f) The fixing and regulation by governing bodies, by ordinance, of the appointment and number of assistants, deputies, clerks, attaches, and other persons to be employed, and for the prescribing and regulating by such bodies of the powers, duties, qualifications, and compensation of such persons, the times at which, and terms for which they shall be appointed, and the manner of their appointment and removal.

(g) In addition to any other provision which is authorized by this Constitution, a county charter adopted pursuant to this Constitution may include other matters in respect to county affairs. It is also competent to provide in any county charter that the county governed thereunder may make and enforce all ordinances and regulations in respect to county affairs, subject only to restrictions and limitations provided in the charter.

~~(g)~~(h) Whenever any county has framed and adopted a charter, and the same shall have been approved by the Legislature as herein provided, the general laws adopted by the Legislature in pursuance of Section 1(b) of this article, shall, as to such county, be superseded by said charter as to matters for which, under this section it is competent to make provision in such charter,

and for which provision is made therein, except as herein otherwise expressly provided.

~~(h)~~ (i) Charter counties shall have all the powers that are provided by this Constitution or by statute for counties.

SECTION 5. Section 5 of Article XI of the California Constitution is amended to read:

Section 5. (a) It shall be competent in any city charter to provide that the city governed thereunder may make and enforce all ordinances and regulations in respect to municipal affairs, subject only to restrictions and limitations provided in their several charters and in respect to other matters they shall be subject to general laws. City charters adopted pursuant to this Constitution shall supersede any existing charter, and with respect to municipal affairs shall supersede all laws inconsistent therewith.

(b) It shall be competent in all city charters to provide, in addition to those provisions allowable by this Constitution, and by the laws of the State for: (1) the constitution, regulation, and government of the city police force; (2) subgovernment in all or part of a city; (3) conduct of city elections; and (4) plenary authority is hereby granted, subject only to the restrictions of this article, to provide therein or by amendment thereto, the manner in which, the method by which, the times at which, and the terms for which the several municipal officers and employees whose compensation is paid by the city shall be elected or appointed, and for their removal, and for their compensation, and for the number of deputies, clerks and other employees that each shall have, and for the compensation, method of appointment, qualifications, tenure of office and removal of such deputies, clerks and other employees.

(c) Except as otherwise expressly limited by this Constitution, all general law cities have and are hereby granted the same powers and authority as those of any charter city which has fully pursued and exercised the authority granted by subections (a) and (b) hereof. By ordinance, which is subject to referendum notwithstanding the provisions of Section 11 of Article II of this Constitution, general law cities may exercise, to the extent of such ordinance, the powers and authority of any charter city having adopted a freeholder's charter in accordance with Section 3 of Article Xi of this Constitution. Notwithstanding the provisions of Section 3 of Article XI, or any other law, this subsection is self-executing and supersedes all laws inconsistent with it.

SECTION 6. Section 24 of Article XIII of the California Constitution is amended to read:

Section 24. (a) The Legislature may not impose taxes for local purposes but may authorize local governments to impose them and, except as otherwise expressly provided by any other provision of this Constitution, the Legislature shall have no authority to limit, directly or indirectly, the imposition by any local government of any tax, fee or charge of any kind which was available to any local government as a source of revenue on or before January 1, 1983.

(b) Money appropriated from the state funds to a local government for its local purposes may be used as provided by law.

(c) Money subvened to a local government under Section 25 may be used for State or local purposes.

SECTION 7. Section 34 is added to Article XIII of the California Constitution, to read:

Section 34. (a) Subject to the provisions of subsection (d), each local government, except a special district, shall be allocated each year a percentage of the net countywide ad valorem property tax revenues collected during the year equal to the percentage of the net countywide ad valorem property tax revenues received by that local government during the base year.

(b) Subject to the provisions of subsection (d), each county shall be allocated each year the percentage of the net countywide ad valorem property tax revenues collected during the year equal to the percentage of the net countywide ad valorem property tax revenues allocated to the county during the base year for distribution to the special districts by the county during the base year. Each board of supervisors shall reallocate these revenues in each fiscal year to the special districts that received an allocation of these revenues during the prior fiscal year.

(c) As used in this Section:

(1) "Base year" means the 1983-84 fiscal year that began July 1, 1983.

(2) "Local government" means any city, county, city and county, school district, county board of education, county superintendent of schools, or community college district, or special district, including any authority or entity empowered by statute to levy ad valorem property taxes.

(3) "Net countywide ad valorem property tax revenues" means the total of all ad valorem property tax revenues collected countywide for a fiscal year, less (i) the total amount of ad valorem property taxes refunded countywide during the fiscal year, and (ii) the total amount of ad valorem property tax revenues dedicated countywide during that

fiscal year to retire bonded indebtedness or other indebtedness approved by the voters and secured by ad valorem property tax revenues.

(d) The Legislature may, by statute enacted by a two-thirds (2/3) vote of the membership of each house, provide a procedure for reallocating the net countywide ad valorem property tax revenues within a county when (i) a jurisdictional boundary change occurs within a county that affects one or more of these local governments, (ii) a new local government with the power to levy ad valorem property taxes is created within a county, (iii) a local government within a county disincorporates, dissolves, consolidates with or is reorganized into another existing local government within the county, or (iv) responsibilities for the provision of public services within a county are reallocated among local governments by statute or by agreement of two or more local governments made pursuant to any law authorizing such agreements.

(e) Increases or decreases in ad valorem property tax revenues in any fiscal year that result from changes in assessed valuation from the prior fiscal year shall be allocated to affected local governments, as determined by the situs of the property changing value.

(f) This section takes effect July 1, 1985, and shall be in effect for the 1985-86 and succeeding fiscal years.

SECTION 8. Section 4.5 is added to Article XIIIA of the California Constitution, to read:

Section 4.5. Notwithstanding Sections 1 and 4, an additional ad valorem property tax rate may be imposed by a local government, including a school district, county office of education, or community college district, to pay the interest and redemption costs of voter approved general obligation bonds

for the purpose of construction, maintenance, rehabilitation or furnishing of facilities, provided such bonds are approved by a two-thirds (2/3) vote of those electors of the local government voting on the measure.

SECTION 9. Section 1 of Article XIIIB of the California Constitution is amended, to read:

Section 1. (a) The total annual appropriations subject to limitation of the state and of each local government, except school districts and county offices of education, shall not exceed the appropriations limit of such entity of government for the prior year adjusted for changes in the cost of living and population except as otherwise provided in this Article.

(b) Effective July 1, 1985, the total annual appropriations subject to limitation of each school district and county office of education shall not exceed the appropriations limit of such entity of government for the prior fiscal year adjusted for changes in (i) state revenues, (ii) statewide ad valorem property tax revenues, (iii) the cost of living, and (iv) population, except as otherwise provided in this Article. Notwithstanding any other provision of this Article, the base year for establishing the annual appropriations subject to limitation of a school district or county office of education shall be the 1985-86 fiscal year.

SECTION 10. Section 6 of Article XIIIB of the California Constitution is amended, to read:

Section 6. (a) Whenever the Legislature, a state court, or a state agency or the electorate by statewide initiative or referendum mandates a new program or higher level of service on any local government, including a school district, county office of education, or community college district, the ~~state~~

Legislature shall provide ~~such~~ a subvention of funds to reimburse ~~such~~ the local government for the costs of such program or higher level of service, except that the Legislature may, but need not provide such subventions of funds for the following mandates:

~~(a)~~(1) Legislative mandates requested by the local ~~agency~~ government affected;

~~(b)~~(2) Legislation defining a new crime or changing an existing definition of a crime; or

~~(c)~~(3) Legislative mandates enacted prior to January 1, 1975, or executive orders or regulations adopted prior to January 1, 1977, initially implementing legislation enacted prior to January 1, 1975.

(b)(1) No statute or executive order or regulation that (i) requires a local government to provide a new program or service of any kind, (ii) requires a higher level of service to be provided by a local government, or (iii) increases the net cost to a local government of providing or operating any program or public service shall be operative or enforced unless and until sufficient funds, as determined by the State Controller, have first been transferred by appropriation or allocation from the State Treasury to the local government or governments affected by the statute or executive order or regulation.

(2) Nothing in this subsection prevents a local government from wholly or partially complying with or implementing any such statute or executive order or regulation if it has not received the funds required to be transferrred to it by this subsection. However, voluntary compliance or implementation by any such local government does not waive or diminish the right of the local government to the reimbursement required by subsection (a).

SECTION 11. Article XIIIC is added to the California Constitution, to read:

ARTICLE XIIIC

There is hereby continuously appropriated from the State Treasury, and the State Controller is directed to pay to local governments, a level of subvention at least equal to the following amounts:

(1) The percentages of the total motor vehicle license fee and trailer coach fee revenue guaranteed to local governments by statute as of January 1, 1983.

(2) The revenue from 1.5 mills per cigarette of the tax on cigarettes, provided the local government does not impose an excise tax on cigarettes.

(3) The amount subvened to local governments, including public school districts, county offices of education, community college districts and special districts, in fiscal year 1982-83 for reimbursement of the business inventory exemption, provided, however, that if the property tax on business inventories is reimposed, the subvention may be reduced commensurately.

SECTION 12. Article XIIID is added to the California Constitution, to read:

ARTICLE XIIID

Section 1. There is established in the State Treasury the County Services Account ("Account") to provide counties with a minimum level of funding for state-mandated programs in public health, social services and criminal justice. Except as adjusted pursuant to Section 4 of this Article, (i) the proceeds of that portion of the State tax upon the sale, use, storage or consumption of tangible personal property equivalent to a rate of one-half of one percent (1/2%) of the gross receipts of retailers and one-half of one percent (1/2%) of the sales price of the property, and (ii) thirteen percent (13%) of the net annual proceeds of the state personal income tax for the current year

shall be continuously appropriated, on a quarterly basis, to the Account. During the session of the Legislature which occurs in 1990, and once every fifth year thereafter, the Legislature may review and revise these percentages in order to insure that adequate funding is provided to the Account and that the percentage increase in funding for the Account continues proportionately. Any revision of these percentages in 1990, or any such revisions as may occur once every fifth year thereafter, shall be accomplished by statute enacted by two-thirds (2/3) vote of each house of the Legislature. The State Controller shall transfer the tax receipts to the Account and shall, on a quarterly basis, transfer the monies in the Account to the counties in accordance with the provisions of Section 2.

Section 2. Funds in the County Services Account are hereby allocated to the counties to provide an amount equal to the amount of State funds received in the 1983-84 fiscal for the public health, the County Health Services Fund, the Medically Indigent Adult Services Account, Alcohol and Drug Abuse, Local Mental Health, county social services, services and placement costs associated with the provision of child protective services, the Adoption Assistance Program, and the County Justice System Subvention Program. Absent action by the Legislature to relieve counties of responsibility for all or some of these services, counties shall continue to be responsible for providing these services. One fourth (1/4) of the funds remaining in the Account in excess of the amount of 1983-84 levels shall be allocated to the counties on the basis of population and need, as determined by the Legislature, to provide equity among counties. The remaining amount in the Account shall be allocated to the counties on the basis of situs, and shall be available for any public purpose as determined by each board of supervisors.

Section 3. It is the intent of the People that services funded through the County Services Account be provided in a cost-effective manner. For those services funded through the Account, counties have plenary authority to establish procedures necessary to administer these services efficiently.

Section 4. The State Controller annually shall increase the amount transferred to the County Services Account by equal amounts of State sales tax and personal income tax receipts to provide full funding for any new state mandates which are not exempted from funding by Article XIIIB, Section 6. Funds transferred to the Account annually shall be reduced by equal amounts of State sales tax and personal income tax receipts to reflect state mandates upon counties that have been eliminated with the concurrence of at least two-thirds (2/3) of the county boards of supervisors, representing at least a majority of the population of the state. Funds transferred to the Account annually may be adjusted to reflect any realignment of responsibilities for programs or services, as determined by the Legislature with the concurrence of at least two-thirds (2/3) of the county boards of supervisors, representing at least a majority of the population of the state.

Section 5. Nothing in this Article limits the authority of the Legislature to appropriate additional funds to the Account for allocation to counties for public purposes.

Submitted on November 29, 1983 by

Sarah Stewart,
School District Representative

Joe Dobbs,
Community College Representative

Don Excell
County Representative

Sunne Wright McPeak,
County Representative

Diane Longshore,
City Representative

LOCAL GOVERNMENT
SHARED REVENUE PROPOSAL

K-12 SCHOOLS:		
38% Property Tax	=	$ 3,700 million
HOE/BIE	=	370 million
50% P.I.T.	=	4,750 million
2-1/2 cents Sales Tax	=	5,250 million
		$ 14,070 million
COMMUNITY COLLEGES:		
5% Property Tax	=	$ 480 million
HOE/BIE	=	48 million
3% P.I.T.	=	294 million
1/2 cents Sales Tax	=	1,050 million
		$ 1,872 million
COUNTIES:		
39% Property Tax	=	$ 3,900 million
HOE/BIE	=	390 million
13% P.I.T.	=	1,266 million
1/2 cents Sales Tax	=	1,050 million
Subventions (cig. & veh. license)	=	460 million
Bradley-Burns	=	265 million
		$ 7,339 million

CITIES:		
18% Property Tax	=	$ 1,700 million
HOE/BIE	=	170 million
Subventions (cig. & veh. license)	=	900 million
Bradley-Burns	=	2,360 million
		$ 5,130 million
STATE:	6 cents	
34% P.I.T.	=	$ 3,368 million
1-1/4 cents Sales Tax	=	2,625 million
Other Taxes	=	5,300 million
		$ 11,283 million*

*From this state money would come the $1.36 billion cigarette and vehicle license subventions to cities and counties and the $978 million for HOE/BIE reimbursement. These state totals do NOT include the local Bradley-Burns Sales Tax monies (1-1/4 cents = $2.6 billion).

This anticipates a state budget equivalent of $27.5 billion in 1985-86, up from $22 billion in 1983-84.

APPENDIX B

§ 66700. Community colleges as part of public school system: Duties of state board of education. The public community colleges are secondary schools and shall continue to be a part of the public school system of this state. The Board of Governors of the California Community Colleges shall prescribe minimum standards for the formation and operation of public community colleges and exercise general supervision over public community colleges.

§ 72200. The governing board of a community college district may execute any powers delegated by law to it or to the district of which it is the governing board, and shall discharge any duty imposed by law upon it or upon the district of which it is the governing board.

§ 72230. Every community college district shall be under the control of a board of trustees.

72231. The governing board of each community college district shall prescribe and enforce rules not inconsistent with law or with the rules prescribed by the board of governors, for its own government.

§ 72282. The district governing board shall establish rules and regulations not inconsistent with the regulations of the board of governors and the laws of this state for the government and operation of one or more community colleges in the district and delegate appropriate authority to officers, employees or committees of the district, the college, or the governing board.

ERIC Clearinghouse for Junior Colleges
8118 Math-Sciences Building
University of California
Los Angeles, California 90024 FEB 10 1984